



# The Payment Protection Program – Observations in California

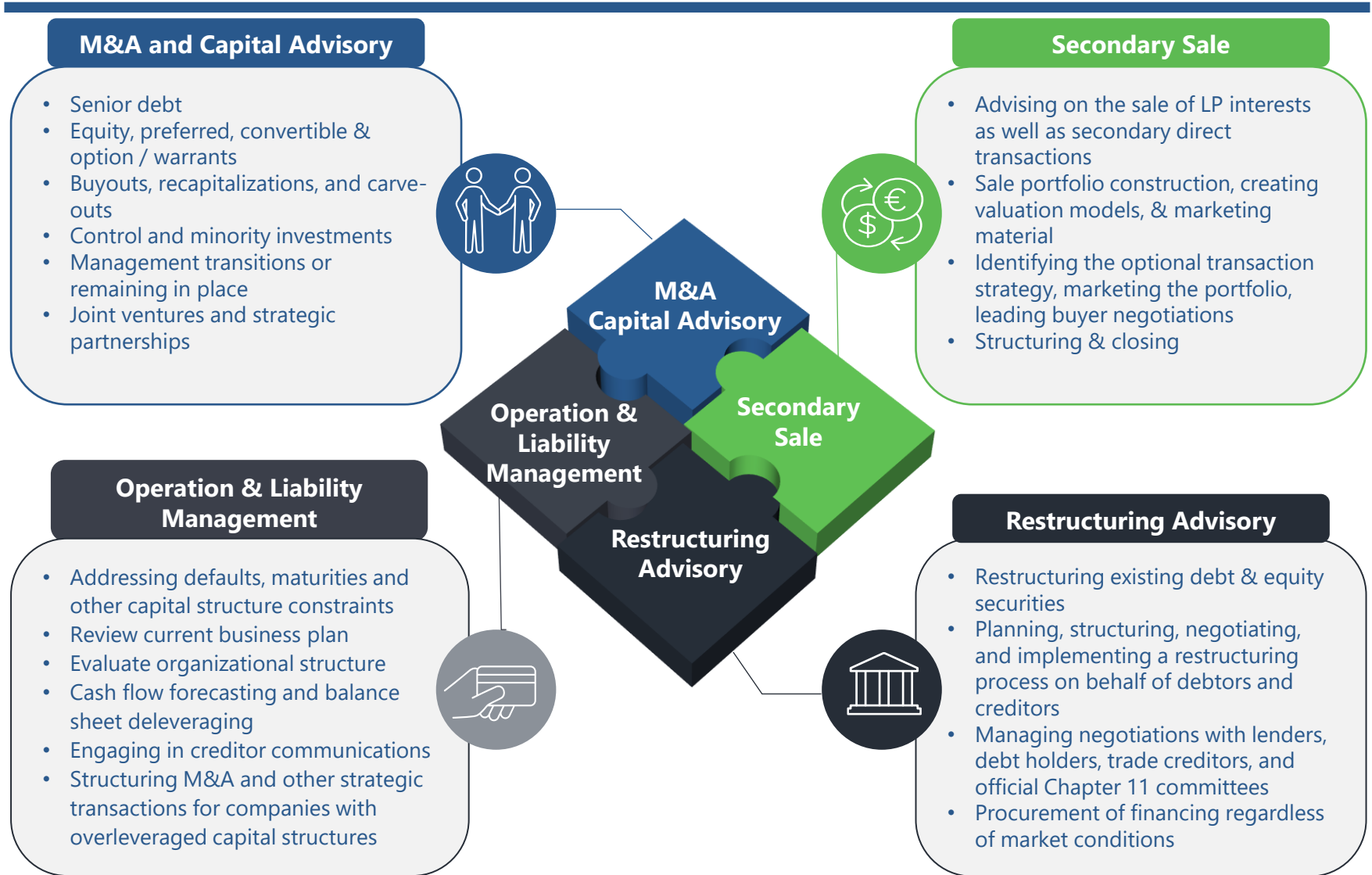


***Its 10:00 PM.***

***Do You Know Where  
Your Capital Is?***



# DLA's Capital Advisory & Restructuring Practice



# Observations on the PPP Program in California



# The Payment Protection Program in California

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California companies accessed approximately **\$76.3 billion** <sup>(1)</sup> in a total of nearly **623k loans** via the Payment Protection Program through August of this year.

Per the SBA website:

*“The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses.”*

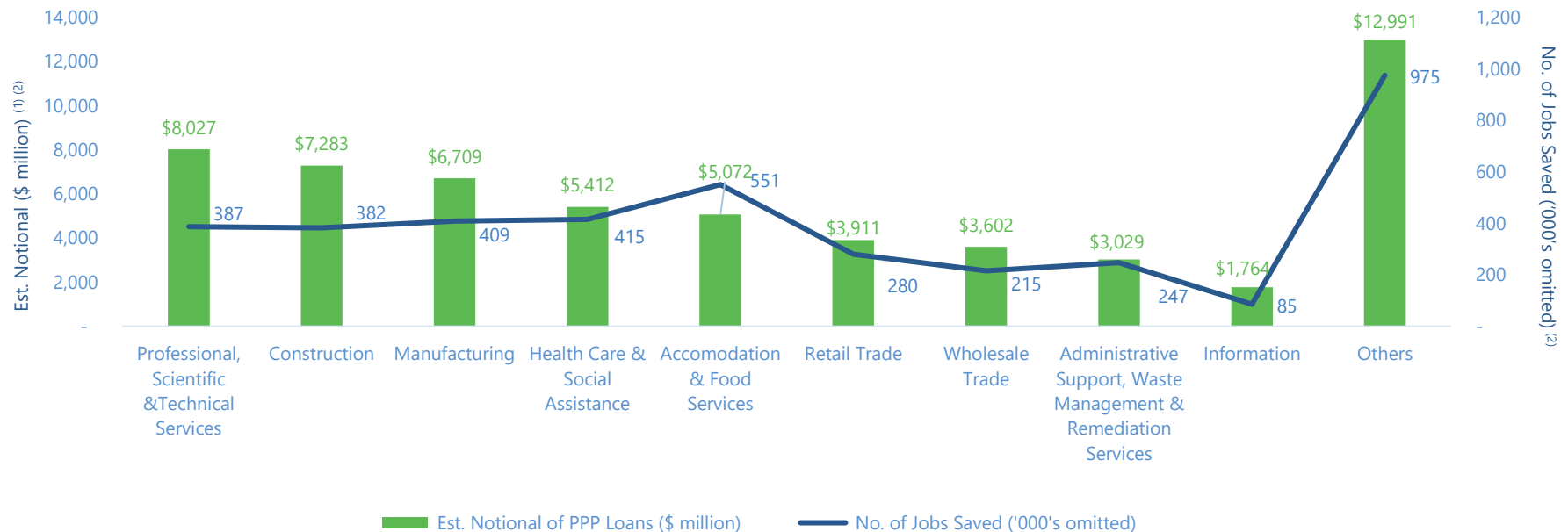
As a part of the application process, **companies were compelled to describe their business, their location, the number of jobs saved, and the lending bank.**

It is impossible to divine too much intel from this program – the reality is that the PPP likely did save certain companies in the short term. Some would have probably survived without the program and some are likely to face distress regardless of this temporary band-aid. But for some businesses who were facing a short-term challenge related to stay-at-home orders, the PPP was the bridge needed to keep them afloat.

Regardless, the SBA data provides an interesting snapshot into the NJ small and mid-size business ecosystem. DLA has analyzed this data and wanted to share our observations specifically for the NJ market.

# PPP Industry Observations for California

## Largest Recipient Industries of PPP Loans & No. of Jobs Saved



Note : (1) PPP loan nationals are calculated via mid-range of the funding buckets reported by SBA (2) PPP loan & job saved data does not include loan data less than \$150,000  
 Source: [www.sba.gov](http://www.sba.gov)

# PPP Industry Observations for California

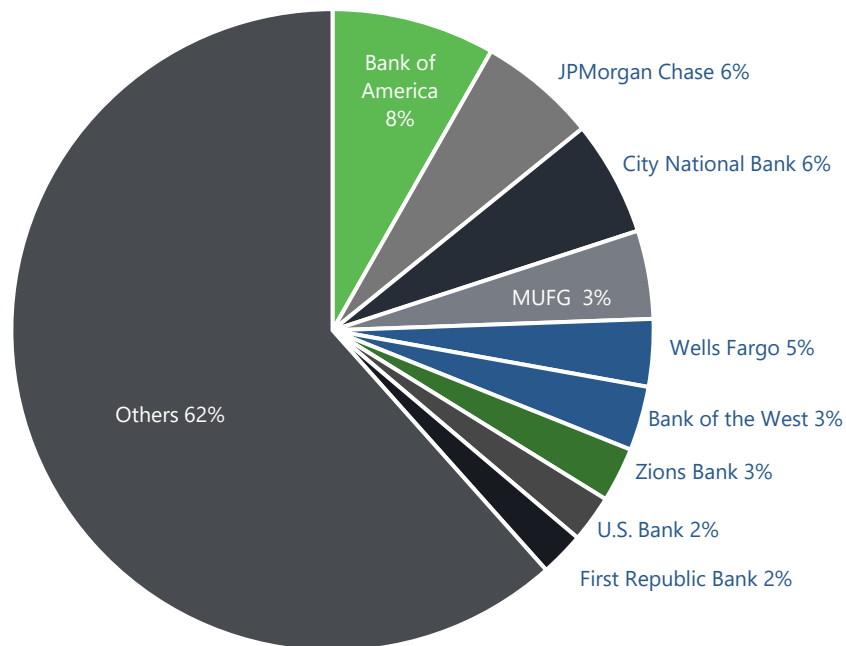
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- Professional, Scientific, and Technical Services was the largest recipients of PPP Loans. They were the recipients of roughly \$8B in PPP loans. Included in that definition are law firms, computer programmers, engineering services, accountants, architects. The industry could save 387k jobs, fourth highest after Accommodation & Food services, Health Care & Social Assistance and Manufacturing.
- Construction was the second largest recipient, with total of \$7.3B in PPP loans. This was a combination of commercial and retail services. This industry saved its 382k jobs due to PPP loans.
- Manufacturing received roughly \$6.7B in PPP loans. This industry saved its 409k jobs due to PPP loans. Wineries, commercial printing and automotive shops were largest recipient in this group by far, collecting approx. 647M in PPP loans and saving its 40k jobs.
- Health Care and Social Assistance and Accommodation & Food Services altogether garnered about \$10.4B in PPP loans and in total saved its 966k jobs. These two industries also saved highest number of jobs in the state. Full-service restaurants were the largest recipient in this group by far, collecting approx. \$2.4B in PPP loans alone saving its 254k jobs. Full-service restaurants comprise the next tranche of recipients, followed by offices of Physicians.



# PPP Participating Banks in California

## Largest Lenders of PPP Loans



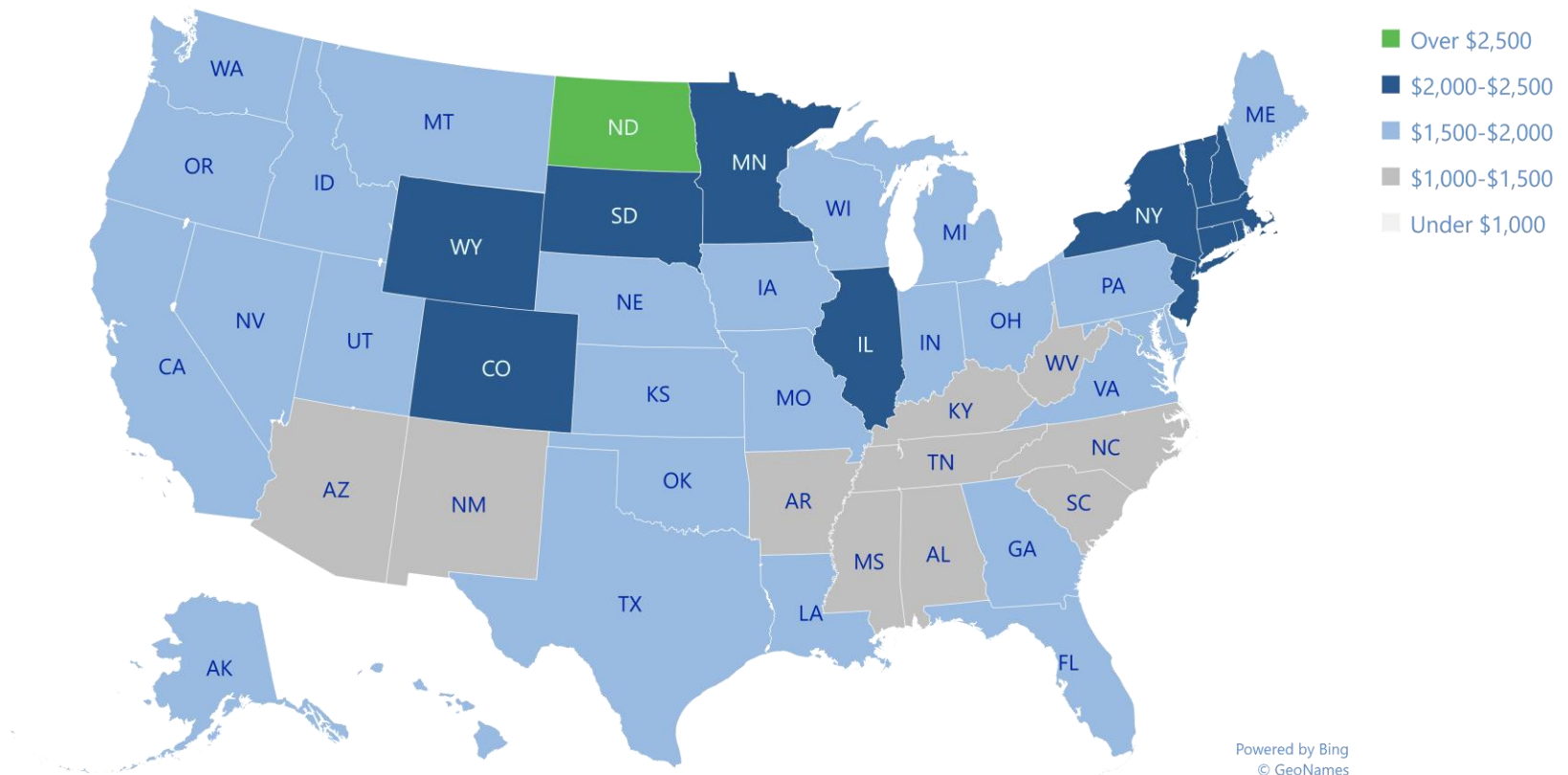
- Of the \$57.8B lent via the PPP program, \$14.1B came from four banks: Bank of America, JPMorgan Chase, City National and Wells Fargo.
- The next \$12.7B in PPP loans came from the following: MUFG Union Bank, Bank of West, Zions Bank, U.S. Bank, First Republic Bank, East West Bank, Comerica Bank, Citizen Business Bank and Pacific Western Bank.



# Largest Recipient of PPP Bailout (1/2)

District of Columbia and North Dakota had the highest per capita totals among the states. Several of the current hardest-hit states from the epidemic including Texas, California and Florida, fell in the middle of the road in per-capita PPP loans:

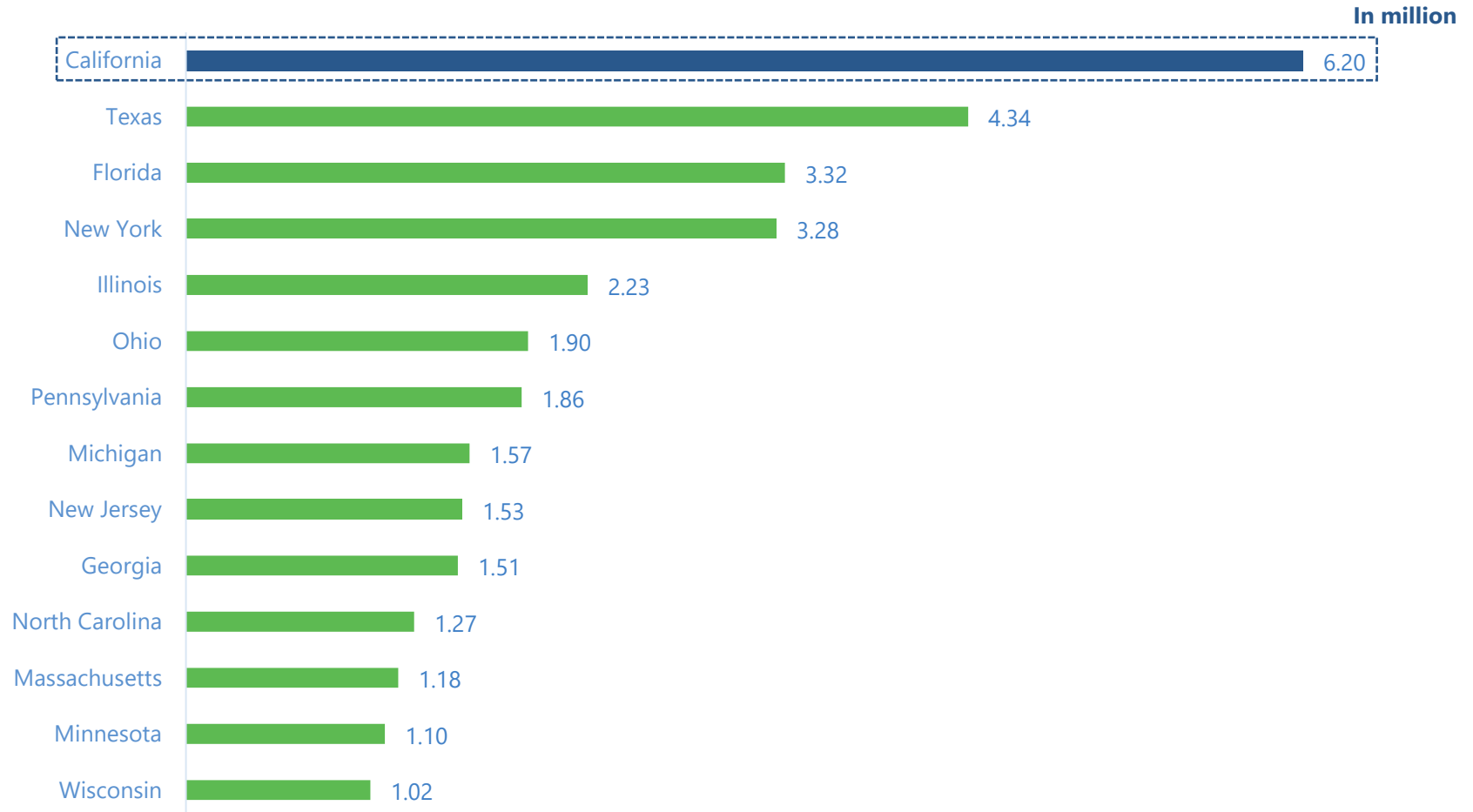
## PPP Loan Volume per capita as of August 8<sup>th</sup>



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# Jobs Saved Across North America

In total, 14 states recorded job savings of 1 million or more, with California leading the way with 6.2 million jobs saved. California saved 6.2 million jobs and ranked 29<sup>th</sup> in jobs retained as a percentage of population



# Jobs Saved Observations for North America (1/3)

**As per SBA data PPP loans have helped support approximately 51 million jobs.**

- District of Columbia had the highest percentage of jobs retained as a percentage of population i.e. 23.9% . It received PPP loan of \$ 2,414 million which helped save nearly 169k jobs. Loan per job saved in this state is \$14,321, which is second highest only after state of Washington
- In four states or territories, SBA data shows at least 20% of the population kept their jobs thanks to PPP loans: District of Columbia, North Dakota, South Dakota and Montana. In every state PPP loans were credited with saving at least 11% of jobs. The territory of American Samoa said just 7.8% of jobs were retained thanks to PPP loans

| State                | Total PPP (\$ million) | Jobs Retained ('000's omitted) | Population ('000's omitted) | PPP (\$ per Job Retained) | Jobs Retained as a % of population |
|----------------------|------------------------|--------------------------------|-----------------------------|---------------------------|------------------------------------|
| District of Columbia | 2,414                  | 169                            | 706                         | 14,321                    | 23.9%                              |
| North Dakota         | 1,979                  | 178                            | 762                         | 11,096                    | 23.4%                              |
| South Dakota         | 1,842                  | 184                            | 885                         | 10,033                    | 20.8%                              |
| Montana              | 1,943                  | 218                            | 1,069                       | 8,935                     | 20.4%                              |
| Minnesota            | 12,530                 | 1,104                          | 5,640                       | 11,352                    | 19.6%                              |
| Guam                 | 213                    | 32                             | 166                         | 6,632                     | 19.4%                              |
| Wyoming              | 1,171                  | 112                            | 579                         | 10,464                    | 19.3%                              |
| Maine                | 2,520                  | 256                            | 1,344                       | 9,831                     | 19.1%                              |
| Vermont              | 1,362                  | 117                            | 624                         | 11,629                    | 18.8%                              |
| Utah                 | 5,828                  | 601                            | 3,206                       | 9,701                     | 18.7%                              |
| Kansas               | 5,576                  | 526                            | 2,913                       | 10,602                    | 18.1%                              |
| Illinois             | 25,368                 | 2,229                          | 12,672                      | 11,382                    | 17.6%                              |

# Jobs Saved Observations for North America (2/3)

| State          | Total PPP (\$ million) | Jobs Retained ('000's omitted) | Population ('000's omitted) | PPP (\$ per Job Retained) | Jobs Retained as a % of population |
|----------------|------------------------|--------------------------------|-----------------------------|---------------------------|------------------------------------|
| Wisconsin      | 11,061                 | 1,023                          | 5,822                       | 10,814                    | 17.6%                              |
| Louisiana      | 8,262                  | 814                            | 4,649                       | 10,150                    | 17.5%                              |
| Connecticut    | 7,463                  | 618                            | 3,565                       | 12,069                    | 17.3%                              |
| New Jersey     | 19,358                 | 1,532                          | 8,882                       | 12,638                    | 17.2%                              |
| Nebraska       | 3,836                  | 332                            | 1,934                       | 11,560                    | 17.2%                              |
| Massachusetts  | 15,949                 | 1,178                          | 6,893                       | 13,543                    | 17.1%                              |
| New York       | 42,799                 | 3,276                          | 19,454                      | 13,064                    | 16.8%                              |
| Iowa           | 5,697                  | 530                            | 3,155                       | 10,757                    | 16.8%                              |
| New Hampshire  | 2,869                  | 221                            | 1,360                       | 12,985                    | 16.2%                              |
| Ohio           | 20,580                 | 1,899                          | 11,689                      | 10,840                    | 16.2%                              |
| Virgin Islands | 136                    | 17                             | 107                         | 7,918                     | 16.0%                              |
| Hawaii         | 2,724                  | 226                            | 1,416                       | 12,033                    | 16.0%                              |
| Alaska         | 1,458                  | 117                            | 732                         | 12,494                    | 16.0%                              |
| Oklahoma       | 6,076                  | 625                            | 3,957                       | 9,721                     | 15.8%                              |
| Maryland       | 11,233                 | 954                            | 6,046                       | 11,779                    | 15.8%                              |
| Michigan       | 17,818                 | 1,573                          | 9,987                       | 11,325                    | 15.8%                              |
| California     | 76,274                 | 6,198                          | 39,512                      | 12,306                    | 15.7%                              |
| Florida        | 35,644                 | 3,324                          | 21,478                      | 10,724                    | 15.5%                              |
| Missouri       | 10,270                 | 947                            | 6,137                       | 10,842                    | 15.4%                              |
| Colorado       | 11,543                 | 887                            | 5,759                       | 13,019                    | 15.4%                              |
| Idaho          | 2,890                  | 273                            | 1,787                       | 10,588                    | 15.3%                              |
| Rhode Island   | 2,129                  | 162                            | 1,059                       | 13,181                    | 15.2%                              |

# Jobs Saved Observations for North America (3/3)

| State                    | Total PPP<br>(\$ million) | Jobs Retained<br>('000's omitted) | Population<br>('000's omitted) | PPP (\$ per Job Retained) | Jobs Retained as a % of population |
|--------------------------|---------------------------|-----------------------------------|--------------------------------|---------------------------|------------------------------------|
| Texas                    | 45,640                    | 4,341                             | 28,996                         | 10,515                    | 15.0%                              |
| Oregon                   | 7,880                     | 620                               | 4,218                          | 12,703                    | 14.7%                              |
| Pennsylvania             | 23,120                    | 1,862                             | 12,802                         | 12,414                    | 14.5%                              |
| Delaware                 | 1,721                     | 140                               | 974                            | 12,287                    | 14.4%                              |
| Indiana                  | 10,620                    | 963                               | 6,732                          | 11,024                    | 14.3%                              |
| Georgia                  | 16,234                    | 1,508                             | 10,617                         | 10,764                    | 14.2%                              |
| Mississippi              | 3,539                     | 422                               | 2,976                          | 8,396                     | 14.2%                              |
| Nevada                   | 4,693                     | 430                               | 3,080                          | 10,914                    | 14.0%                              |
| Alabama                  | 6,918                     | 682                               | 4,903                          | 10,148                    | 13.9%                              |
| Tennessee                | 9,924                     | 928                               | 6,829                          | 10,690                    | 13.6%                              |
| Kentucky                 | 5,838                     | 606                               | 4,468                          | 9,639                     | 13.6%                              |
| Northern Mariana Islands | 44                        | 7                                 | 57                             | 5,816                     | 13.2%                              |
| South Carolina           | 6,386                     | 671                               | 5,149                          | 9,516                     | 13.0%                              |
| Arkansas                 | 3,695                     | 379                               | 3,018                          | 9,745                     | 12.6%                              |
| Arizona                  | 9,610                     | 887                               | 7,279                          | 10,833                    | 12.2%                              |
| Puerto Rico              | 1,957                     | 389                               | 3,194                          | 5,028                     | 12.2%                              |
| Washington               | 13,847                    | 920                               | 7,615                          | 15,045                    | 12.1%                              |
| North Carolina           | 13,625                    | 1,266                             | 10,488                         | 10,761                    | 12.1%                              |
| New Mexico               | 2,528                     | 252                               | 2,097                          | 10,025                    | 12.0%                              |
| Virginia                 | 13,980                    | 988                               | 8,536                          | 14,149                    | 11.6%                              |
| West Virginia            | 2,013                     | 207                               | 1,792                          | 9,716                     | 11.6%                              |
| American Samoa           | 14                        | 4                                 | 55                             | 3,232                     | 7.8%                               |

# About DLA – Capital Advisory & Restructuring



# What's Next?

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## MAIN STREET BLUES

Following the well received PPP program, the Fed established the Main Street Lending Program to keep middle market firms who either were unable to access the PPP and/or needed further support to remain afloat. However, **only about \$2B of a potential \$600B in funding has been approved** by the Federal Reserve so far.

## WHAT WENT WRONG?

An **overwhelming number of banks** have shown an increasingly **reluctance to participate**, citing concerns about borrower's financial condition, and overly restrictive loan terms.

## WHAT NOW?

Companies facing capital constraints have options. While many banks have chosen not to participate, certain others have readily embraced the program. **DLA's knowledge and relationships with participating institutions facilitates a smoother funding process.**

## HOW ELSE CAN DLA HELP?

Additionally, DLA stands ready to advise on a comprehensive solution – **from capital raising (debt or equity) to divestitures to bankruptcy advisory, DLA has a solid understanding of operational restructuring, capital strategies and structuring across various sectors.**

***DLA offers one-stop advisory to the middle market– restructuring services along with seasoned investment bankers to raise capital and facilitate M&A if needed.***





# What should companies do when facing distress?

## Cash is King



- Assess immediate liquidity needs
- Review loan agreements, lease agreements and other obligations
- Prepare a 13 week and six-month cashflow

## Assess EBITDAC



- Was business distressed before Covid?
- If pre-Covid-19 fundamentals were strong, can the company survive through restart and beyond?
- Does the existing business model fit expected post-pandemic consumer behaviors?
- Are there feasible changes which could enable the company to survive?

## Communicate with Stakeholders



- Communicate with owners, management, employees, lenders, landlords, trade vendors, customers, and regulators

## Develop Business Action Plan



- Evaluate the situation
- Stabilize operations
- Conduct analysis
- Formulate Strategy
- Plan Implementation

**2 MINUTES TO MIDNIGHT**



***Companies should engage with a financial advisor as early as possible and in advance of any potential negotiations with creditors.***

# Why do Clients Choose DLA?

**Solid understanding of capital strategies & structures across various sectors, with deep relationships with strategic & financial investors in the lower middle market space**

| Criteria                            | DLA Qualification   |
|-------------------------------------|---|
| Focus on Middle Market Companies    | Singular focus on advising small and mid-sized privately held companies.  |
| Seasoned Team of Trusted Advisors   | A boutique advisory firm in business for nearly two decades, and a dedicated team with a combined total of 35+ years of capital markets experience.   |
| Direct Access to Senior Bankers     | We pride ourselves on building trust and establishing close relationships with our clients. The senior bankers you meet on the pitch will be the ones you will be interacting directly with going forward.                |
| Local Firm with International Reach | A NJ based firm with a network of clients and investors throughout the United States and globally.  |
| Uncompromising Commitment to Ethics | We have a duty of loyalty to our clients and are obliged to act with reasonable care and exercise prudent judgement. At DLA, we always act for the benefit of our clients and place our clients' interest before our own. |

***We transform organizations and take businesses to the next level, giving you the chance to have a good night's sleep.***

# DLA Capital Advisory and Restructuring Team

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